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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I**OF IMMEDIATE INTEREST****THE COMMUNIST POLICY COMMUNIQUE AND PEACE MANIFESTO**

The declaration issued on 21 November by the 12 Communist parties of the Sino-Soviet bloc emphasizes the "strength and unity" of the bloc and attempts to capitalize on the view--pounded recently on numerous occasions by Khrushchev--that the world "balance of forces" has shifted decisively in favor of the "socialist camp." The Moscow meeting which produced this declaration and the "peace manifesto" the next day--sequels to the Soviet 40th anniversary celebrations--was the most authoritative assembly of Communist notables since the Seventh World Congress of the Comintern in 1935.

As a bloc-wide foreign policy statement, the 12-nation declaration seeks to exploit the USSR's recent technological achievements with its claims that the "peace camp" is capable of asserting "ever-increasing influence" on the international scene. Disparaging the Western "positions-of-strength" policy as a mask to "enslave" other countries, the announcement implies throughout that the West will be forced sooner or later to accommodate its policies to bloc positions on international questions. The peaceful desires of the Communist world are contrasted with the "aggressive designs" of the NATO countries and it is declared that the Warsaw pact must be "preserved and strengthened." A call is issued for a "united front" of "progressive, bourgeois, and patriotic democratic" elements against colonialism and the forces of "aggression and reaction."

Both the policy declaration and the peace appeal continue Communist attempts to prepare the groundwork for moves to discount any strengthening of NATO unity and military preparedness at the NATO meeting in December.

The two pronouncements constitute a blueprint of mutually acceptable tactics for the international Communist movement. The policy declaration culminates at least a year's effort by the Kremlin to formulate a definitive statement on intra-bloc relations. In working out such a statement, Moscow apparently found it necessary to compromise on certain ideological questions. The declaration appears to be sufficiently flexible and broadly worded to encompass the different points of view held by the various bloc parties on controversial questions. It clearly sets limits--as Khrushchev did in his 40th anniversary speech--on the degree of autonomy to be exercised by individual bloc countries, a move designed primarily to prevent any repetition of such events as the Polish crisis or the Hungarian outbreak in the fall of 1956.

From the ambiguity of many of the statements, however, it is equally clear that no full return to a policy demanding outright imitation of the USSR is contemplated. To ensure that these limits are understood, nine basic laws governing the behavior of Communist states are set forth with the admonition that in their application consideration must be given to

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"historic national peculiarities and traditions." "Revisionism"--a euphemism for national Communism--is presented as a greater danger than Stalinist-like "dogmatism," but it is left to the individual Communist parties to determine which heresy is the greater threat at any particular time.

By gaining recognition from Poland and such formal acknowledgment from Communist China that the USSR is the leader of the Communist world, Khrushchev has strengthened his position within the Soviet hierarchy and throughout the bloc. The Chinese have always given allegiance to Moscow's leadership of the bloc, but such formulations have become more frequent since Mao's attendance at the 40th anniversary celebrations. The Chinese have not, however, given up their "right" to innovate "Socialist development" at home and to guide and influence other Communist movements in Asia. Soviet statements imply that China remains the best model for such movements. (See page 10, Part II for further discussion of Sino-Soviet relations.)

The Viet Minh views the joint declaration as a reaffirmation of Soviet primacy in the bloc. Recent Viet Minh comment on this point has been marked by praise for Soviet leadership--a departure from Hanoi's previous practice of citing Moscow and Peiping as coleaders.

An accommodation between Polish party leader Gomulka

and Khrushchev is implicit in the declaration's reiteration of the principal points made by Gomulka in his 5 November Pravda article, and a change in the formulation of the "basic principle" on agriculture to allow for Poland's present program. Both Soviet and Polish leaders have been quick to express their complete agreement on the matters dealt with in the declaration, and much of its contents will be considered by Polish officials as endorsement of their policies introduced in October 1956. Those portions of the declaration declaring the pre-eminence of the Soviet Union and condemning the West will not be well received by many Poles, but they will probably be silenced by official explanations that "reasons of state" made it necessary to accept these points.

Although Yugoslavia signed the peace appeal of the 64 Communist parties, it is the only Communist state which failed to adhere to the policy declaration--the only flaw in the picture of unity within the Communist camp. This flaw may prove to be of considerable long-term significance, since the Yugoslavs are free to continue expression of ideological views at variance with Moscow. In so doing Belgrade would keep alive whatever hopes remain among dissident Communists in the satellites for attaining a status for their country similar to that now held by Yugoslavia. (See page 11, Part II for further discussion of Soviet-Yugoslav relations.)

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MIDDLE EAST DEVELOPMENTS

Egyptian leaders have followed up the announcement of the Egyptian-Soviet economic agreement with a campaign to reassure the West that Cairo's door is still open to Western proposals and aid offers. The Cairo press this week played up American as well as the future Soviet assistance, and even gave "sympathetic" treatment to visiting American congressmen. However, besides the \$175,000,000 credit which the Egyptians calculate--on the basis of the official Soviet exchange rate--they have obtained from the USSR, the press has leaked news of an agreement reached last September with Czechoslovakia for additional "industrial aid" worth \$56,000,000.

Jordanians, having assumed an unyielding posture on a number of seemingly minor technical issues involving the rights of the parties and the authority of the UN truce personnel in the Jerusalem area, are anxious to find some means of relieving tensions but still be able to counter Egyptian-Syrian propaganda that Jordan is "betraying" Arab Jerusalem to the Israelis.

Israel was relatively slow to react to the latest spate of incidents and disputes--Foreign Minister Meir said the Israelis were "praying for King Hussayn, even though we do not like him." However, Tel Aviv has begun to make threatening hints that if the Jordanians persist in their attitude, it may try to force a convoy with gasoline supplies through to the Israeli "police" on Mt. Scopus. The Israelis may also try to use this issue to force Jordanian "compliance" with the terms of other agreements. Both sides apparently intend to present Hammarskjold with the whole catalogue of their grievances rather than limit their complaints to the immediate issue.

Egypt and Britain have so far been unable to conclude their economic bargaining in Rome despite some narrowing of differences. The negotiators are still haggling over the exact compensation Egypt will pay for seized British property in return for substantial unblocking of Egyptian funds, but both London and Cairo continue to profess that an agreement is imminent.

The Jordanian government has welcomed UN Secretary General Hammarskjold's offer to come to Jordan and Israel to talk about Israeli-Arab border problems. At this point, the

To obtain support in the crisis with Israel and, more importantly, to reinforce Jordan's internal security, King Hussayn has asked that Iraq be ready to send troops into his country should he make a request. Iraqi leaders had already indicated they would respond affirmatively to such a request, although they foresee logistic and air support problems in connection with the move. In a public demonstration of solidarity with Jordan, the Saudis have placed their forces in that

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country on an alert and have announced cancellation of leaves.

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PART II**NOTES AND COMMENTS****NATO MILITARY TRENDS**

A general uncertainty regarding the defense of the Continent which has developed since the launching of sputnik is reflected in Britain's proposal that the 16-18 December NATO meeting initiate a new, broad strategy review. While France and Germany are pushing development of new weapons, the general picture of NATO-committed forces is one of further lags, withdrawals, and cutbacks.

Renewed interest in military integration is evident in Italy, Germany, and the Benelux countries. European members generally applaud American proposals to build up American striking power in Europe--by stationing IRBM's there, for instance--and are pressing their campaign to gain a share in the control of nuclear warheads.

France and West Germany are energetically developing their own new weapons, individually and under cooperative arrangements begun last winter. France may already have decided to proceed with making nuclear weapons and it is possible Germany will collaborate in their production.

Britain, which shook the alliance last winter with its plans to cut its army in Germany by one third, will soon make formal approaches for approval of the second half of

this reduction, which would leave 55,000 troops, down from 78,000 last winter.

Belgium, Denmark, Luxembourg, and Norway all anticipate making force reductions, and the Gaillard government may apply some of its planned budget cuts to defense forces--still principally committed in Algeria. Ambassador Houghton in Paris has pointed out the weakness, because of obsolescence of equipment, of the French army units remaining on the Continent. Furthermore, Paris is [redacted] 25X1

[redacted] selling 15 of its newest Vautour jet planes to Israel, while production for the French air force is endangered by defense budget cuts, and withdrawal of obsolescent aircraft from service in Europe is reducing the number of French NATO-committed squadrons by two. 25X1

While West Germany proceeds with its general arms build-up, a tendency to trim NATO commitments is evident in the cutback of its April 1959 goal from 220,000 to 203,000 men. Chancellor Adenauer was so shocked by the requirements for tax increases involved in the projected build-up that he blocked the West German submission to NATO's Annual Review until assured the estimates could not bind the government. At the same time non-NATO home defense forces are receiving increased favor in Bonn. [redacted] 25X1

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WEST GERMANY'S GROWING INTEREST IN THE MIDDLE EAST

West Germany's rising economic interest in the Middle East is reflected in the tour of a private delegation to Syria. Egypt has approached Bonn on the possibilities for economic aid, and German diplomats believe there is a good chance of furthering Bonn's good relations with Nasir and exploiting the Federal Republic's economic position in the area.

The five-man, unofficial German delegation, representing Germany's largest banking institution, offered to participate

in the financing of joint Syrian-German companies to develop Syrian oil resources. A German official in Syria expects further negotiations to follow on a governmental level. American officials in Damascus believe some exaggerated press reports on the negotiations may have been inspired by businessmen who wish to improve Bonn's prestige and encourage the idea of German competition with the Soviet Union.

The delegation will proceed to Iran and then visit India and

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Pakistan. West German firms are in a favorable position for economic competition in the Middle East, since Germany has large foreign exchange surpluses and therefore can offer long-term credit. The success of German firms in exploiting Middle Eastern markets is demonstrated by an \$18,000,000 increase in exports to the area during the first six months of 1957 over the same period in 1956.

Although Economics Minister Erhard prefers to encourage private investors, an Egyptian request for economic aid may be favorably received for political reasons. Since the Suez crisis, West Germany has become Egypt's

leading trading partner in Western Europe and, during the first six months of 1957, West German imports from Egypt increased by \$1,200,000 over the same period in 1956. Bonn was favorably impressed when Egypt and Syria refused to follow Tito's lead in recognizing East Germany, and it was generally believed in Bonn that this was because of the economic benefits West Germany has to offer. Bonn probably envisages an increased role for Germany as a "bridge" between the West and the Arab League, and its good relations with Nasir will probably be exploited for this purpose.

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EGYPTIAN-SYRIAN UNION

A joint meeting of the Syrian Chamber of Deputies and 40 members of the Egyptian National Assembly held in Damascus on 18 November reasserted Egyptian-Syrian "solidarity" and pledged support of federal union. The joint session passed a resolution calling on the two governments "to enter into immediate discussions for the completion of this union." Since adoption of the resolution, official and unofficial sources in both countries have been vigorously praising the ideal of unity. In a follow-up meeting on 23 November, the Syrian cabinet instructed the ministers of finance, foreign affairs, and defense to prepare preliminary drafts in their respective fields. These are to be incorporated into the final Syrian "bill for the union."

Akram Hawrani, speaker of the Syrian Chamber of Deputies, stated on 24 November that practical steps for completing the union will be accomplished "within one month." The leading proponent of the union within Syria is Hawrani's Baathist party, which has achieved its success by advocating a Nasir-type nationalism along with Arab unity.

Egyptian official comment has been somewhat more reserved than the Syrian. Anwar al-Sadaat, vice president of the National Assembly in Cairo and leader of the Egyptian parliamentary delegation to Syria, reaped a propaganda harvest from the show of Arab solidarity, but since his return to Cairo on 22 November, there has been no sign that Egypt desires to follow up with substantive moves.

Throughout the course of discussion of the projected union, which received a similar short-lived play in 1956, the Egyptians have displayed a tendency to drag their feet when the point of action was reached. Although Nasir has repeatedly stated his approval of the idea of union and encouraged preliminary steps, these statements have been made under evident Syrian pressure. A detailed Syrian proposal of federation made in August 1956 was formally approved but actually pigeonholed by Nasir, ostensibly because of the Suez crisis.

Importunities from Syria in July of this year wrung public approval out of Nasir once again, and an agreement for Egyptian-Syrian economic union was signed

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in Damascus on 3 September. The agreement stated the objectives of economic union and provided for "the formation of a joint committee to be charged with the studies of the proposals and to suggest practical means of putting the economic union into effect." The joint committee was ordered to submit its report before 3 December. A trade and payments agreement was effected on 13 November, but no other progress has been reported.

The mutual advantages to be gained from a political and

economic merger could be substantial. A well-integrated, over-all administration could effect a significant saving in manpower and material by cutting into oversized bureaucracies and coordinating already complementary economies. However, this could be realized only by sacrificing autonomy and immediate self-interest, and, despite public avowals to the contrary, neither Egypt nor Syria appears willing to make such sacrifices in the near future.

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CYPRUS AND GREECE

The possibility of a serious deterioration of Greek ties with the West as a result of the continuing Cyprus dispute has been highlighted recently by an anti-Western and anti-NATO orientation which appears to be developing among Greek Cypriot leaders. Both Archbishop Makarios and Colonel Grivas, leader of the Cypriot underground organization EOKA, appear determined to continue the struggle for the freedom of Cyprus regardless of its effect on relations between Greece and its Western allies.

The United States has been increasingly criticized during recent weeks in leaflets distributed by EOKA and its political arm, PEKA. Washington's attitude toward a solution of the Cyprus issue has been denounced and Americans have been referred to as "neofascist colonialists" in league with British Tories. In occasional pamphlets, PEKA has gone beyond the Cyprus problem to denounce the activities of the Voice of America and the American arms airlift to Jordan.

In a recent leaflet, EOKA denied any responsibility for the disruption of NATO unity in the eastern Mediterranean or for a "probable" Greek-Turkish war. In an apparent reference to Greece's membership in NATO, the leaflet proclaimed that EOKA was not interested "in alliances, especially when these serve plans for conquest."

While denouncing the American and British "colonialists," EOKA has continued its avowed anti-Communist posture. Members of the Communist-front organizations on Cyprus have been denounced as "traitors, deserters, and opportunists," and members of the left-wing trade union have been attacked physically by EOKA elements. There is little likelihood that Communists have penetrated the higher levels of EOKA and PEKA at this time; however, they may have infiltrated the lower ranks of these primarily nationalist organizations.

Both Makarios and Athens are under continual pressure to maintain intransigent positions

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on the Cyprus issue. Makarios, often described as a moderate, is threatened by revolt within the ethnarchy led by Bishop Kyprianos of Kyrenia, an uncompromising advocate of immediate "enosis." Meanwhile, the Greek government must placate Makarios, other ethnarchy leaders, and EOKA, or run the risk of being denounced by the Cypriot leaders, an action which would probably cause the fall of the

the present government. When Athens recently issued a statement reproving EOKA for interfering in Greek foreign relations, the popular reaction was so intense that the Greek government hastened to reassure the people of Greece and Cyprus of its continued admiration of EOKA as a fighting organization and charged the British press with willful misinterpretation of the original statement.

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MOROCCAN IRREGULARS ATTACK IFNI

Recent attacks by elements of the irregular Moroccan Army of Liberation on Spanish installations in Ifni, Spain's enclave on Morocco's Atlantic coast, are presumably designed to strengthen the hand of Moroccan negotiators who have been seeking the early return of both Ifni--over which Spain claims sovereignty under an 1860 treaty--and Southern Morocco--which Spain obtained in 1912 as part of its Moroccan protectorate. Madrid, however, has recently sent major reinforcements to the area and appears determined to retain its present holdings.

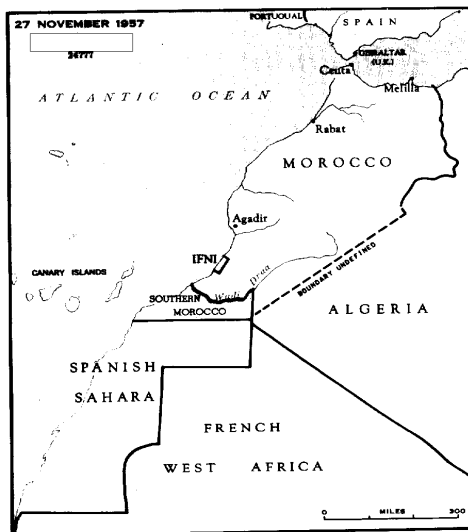
The latest and most serious flare-up in the area began on 23 November when an estimated 1,000 to 1,200 Army of Liberation guerrillas launched a coordinated dawn attack against Sidi Ifni, the enclave's capital, and a number of Spanish frontier posts. Moroccan nationalists have claimed that the capital and several of the posts fell to the attackers and that a full-scale tribal uprising against Spanish authority was under way, but it appears that, whatever initial successes the invaders may have had, the assault

was repulsed by Spanish forces which have re-established their control.

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Elements of the royal Moroccan army located near Ifni have



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remained strictly aloof from the episode.

Apparently anticipating such trouble, Spain earlier this month added approximately

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1,500 troops to its West African garrison, which now stands at an estimated 5,000 to 6,000 troops, most of whom are probably stationed in Ifni. The American embassy in Rabat believes these forces, which have tactical air support, are capable of defending the area against any unassisted offensive by the poorly equipped 1,500 to 2,000 Army of Liberation troops believed deployed in Morocco's southern border areas.

The precise relationship between these irregulars and the authorities in Rabat--where Crown Prince Moulay Hassan is in charge during King Mohamed

V's state visit to the United States--is not clear. The embassy believes the Moroccan government almost certainly maintains contact with the loosely organized guerrillas through the dominant Istiqlal party and is capable of employing them as a convenient unofficial instrument of official policy.

Spain, which is extremely concerned about the expansive territorial claims of ultra-nationalist Moroccan leaders, apparently believes the guerrilla bands engaged in the latest Ifni operation are not under royal control.

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CRISIS IN PAKISTAN'S GOVERNMENT COALITION

The problem of the split in Pakistan's six-week-old government coalition has been referred to President Mirza, who returned to Karachi on 24 November from his European tour. The President apparently intends to force his rebellious Republican party followers to honor their commitments to Prime Minister Chundrigar's Moslem League in order to avoid another collapse of the government. However, the conflicting positions of the two parties on the major internal issues are not likely to be reconciled easily and may cause an open rift in the coalition during the special National Assembly session called for 28 November to discuss electoral legislation.

The split between the coalition partners came to the surface during Republican party conferences attended by over 60 leaders in Lahore from 17 to 19 November. The meetings were

held to thrash out differences within the party over a commitment made by top Republican leaders to the Moslem League in mid-October. They committed the party to support the league's demand that in preparation for elections promised for November 1958, the new government restore the separate electorate system in place of the "joint" system passed by the assembly under the former Suhrawardy government.

The Republican councilors decided their parliamentary leaders had gone against party policy in making this commitment and unanimously called on the prime minister to postpone introduction of any electoral legislation at the special parliamentary session. Asserting that East Pakistan favored joint electorates, a resolution declared that no action should be taken until a special sub-committee could assess public opinion in both provinces.

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The decision taken in Lahore is in effect a challenge by provincial Republicans of the leadership exercised by Mirza and the party hierarchy in the central government.

question further with his Republican partners until Mirza's return.

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Prime Minister Chundrigar had refused to discuss the

Unless Mirza decides to throw over the Moslem League and revive the Republican - Awami League coalition under Suhrawardy, the only way he can preserve parliamentary government appears to be to force his party back into line. Should he be unsuccessful in this effort, however, Mirza may conclude that the time has come for a more "controlled" form of government and resort to direct executive rule.

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LABOR UNREST IN CEYLON

Rising prices, growing unemployment, and apparent personal rivalry between Trotskyite labor union leaders resulted in extensive strikes by 80,000 urban workers in Colombo and elsewhere in Ceylon starting on 20 November.

Beginning with electrical workers, who cut off power and light in Colombo on 20 November, strikes soon included railway men, up to 5,000 government factory workers, and some port laborers. By 21 November, electrical workers had received some of their demands and gone back to work. The other groups continued to strike, however, and were joined by more port workers and newspaper unions. By 23 November, the railway men had returned to work, but 6,500 post and telegraph employees had struck. By 25 November, more strikes had ended, following promises by the government that consideration would be

given to workers' demands for a basic wage increase from 29 to 49 cents an hour.

By that date, however, new strikes by hospital workers and railway stationmasters had been planned. On 26 November, about 5,000 dock workers went on strike, and 3,000 more were expected to strike the next day. Strikes were also threatened by about 20 other government and industrial unions. This suggests that additional unions, noting the government's conciliatory attitude, desired to go on record in the hope of participating in any wage raises or other compensations eventually granted.

The government is in a poor position to promise extensive wage raises to urban workers. Ceylon's 1957 balance of trade and balance of payments are expected to be adverse. The government's external financial

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assets showed a decline for the fiscal year ending last June, the cost of living probably rose by about 5 percent in the year ending last September, unemployment continues to rise, and a drought still plagues most of the island. Furthermore, government acquiescence to urban labor's demands might spark new requests by the large number of tea and rubber estate workers.

There is some evidence that the recent strikes were in part an effort by N. M. Perera, leader of the Trotskyite Nava Lanka Sama Samaja party, to prove that labor unions controlled by him are the dominant force in Ceylon. Having suffered recent setbacks in unsuccessful port

and newspaper strikes, he may be attempting to regain prestige.

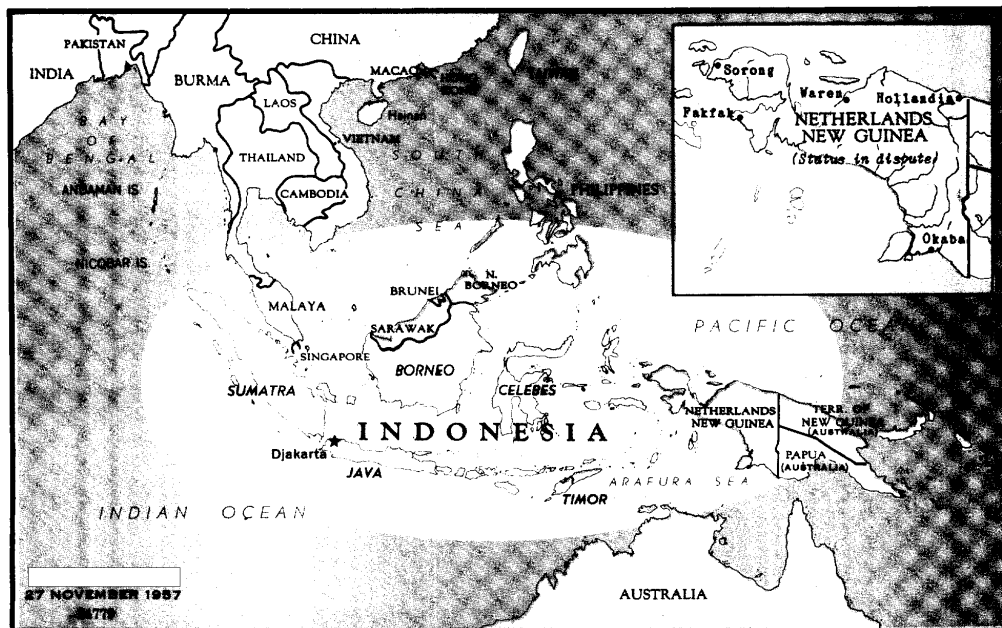
Perera may also have noticed the increasing attacks on efforts by Food and Agriculture Minister Philip Gunewardena, leader of the Trotskyite Vip-lavikara Lanka Sama Samaja party and associated labor unions, to gain dictatorial control over Ceylon's agriculture and to challenge Bandaranaike's authority over his cabinet. Should Perera feel that additional agitation by his own unions would further undercut Gunawardena's influence, he may sanction further strikes, whether or not the government takes a favorable attitude toward wage increases.

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INDONESIA

Indonesia's second national conference has opened in Djakarta with several hundred delegates in attendance but with representatives from Central

Sumatra conspicuously absent. The conference, a sequel to last September's meeting, is intended to promote national unity through discussions of



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nationwide economic development. Prospects for success, however, appear dim. The agenda is both lengthy and vague, and a workable program is unlikely to be formulated.

The failure of the Central Sumatran delegates to appear shows their continued lack of faith in Djakarta's promises and their belief that the conference will serve no useful purpose. Lt. Col. Hussein, the local military commander, has asserted that further discussions with Djakarta are useless as long as "fundamental questions" remain unsolved. These matters include increased local autonomy, the restoration of former Vice President Hatta to an influential post in the government, and the adoption of a national policy of anti-Communism.

The anti-Communist Masjumi party is exploring means of re-entering the government or at least increasing its official influence. Its considerations are based on rumors that President Sukarno is contemplating

deserting the Communists in favor of other political elements. There are no firm indications, however, that Sukarno is either willing or able to abandon his Communist supporters. On the contrary, he is unlikely to admit the Masjumi into the cabinet unless the party reverses its stand against serving with Communists.

The Indonesian government continues to develop its anti-Dutch campaign on the premise that the Indonesian claim to West Irian (Netherlands New Guinea) will be defeated in the UN General Assembly next month. The National Council has set up a committee to plan further steps in the struggle for West Irian. Although no details have been announced, the council's vice chairman has stated that the basis for the proposed steps will be "retaliation against Dutch interests in Indonesia"-- increasing evidence that Indonesia is planning a progressive program of nationalization of Dutch enterprises, possibly without compensation.

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NEW JAPANESE DEFENSE CONCEPTS

The government of Prime Minister Kishi is questioning the adequacy of Japan's defense establishment in the light of recent missile developments and is giving serious consideration to equipping its forces with missiles, while still excluding nuclear weapons. Tokyo may be moving from a policy purely of defense of the home islands to one with a deterrent retaliatory capability in cooperation with free world defense programs. Such a change considerably in advance of what is now politically acceptable in Japan, would have to be brought about very gradually.

Publicly, Kishi has defended present defense policy and opposed any major change as premature. The government plans to retain its defense program for fiscal 1958, the major item of which is a 10,000 man build-up of the Ground Self-Defense Force to an authorized strength of 170,000. Emphasis on missiles would be delayed until fiscal 1959 and probably would not involve a significant increase in overall defense expenditures.

At Kishi's direction, however, the Defense Agency has established a committee to

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reassess defense policy, and the agency is preparing to accelerate the guided-missile research program. The Foreign Ministry has advised American officials that Japan is prepared to participate in appropriate NATO programs--presumably meaning an exchange of information on missile research--but must move cautiously because of possible political consequences in Japan. Air defense officials on 13 November asked the United States to make available air-to-air missiles for Japanese F-86F aircraft, and the government is anxious to acquire ground-to-air missiles as well. These actions mark a crucial turn in the official Japanese attitude toward military programming.

The Japanese people are not enthusiastic about rearmament, although opposition to

it has been diminishing gradually. The opposition Socialist party has denounced rearmament as unconstitutional, and maintains that the Japanese defense forces are obsolescent and would only invite attack in case of war. In the face of possible elections early next year, the government is striving to avoid controversy over the defense question.

Kishi has consistently opposed the introduction of nuclear weapons into Japan for use by either Japanese or American forces. He has promoted efforts within the United Nations to reach agreement on the cessation of nuclear tests and has given no indication that his government's consideration of modern weapons includes nuclear types.

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SINO-SOVIET TIES TIGHTENED

Soviet treatment of Communist China at the celebrations of the 40th anniversary of the Bolshevik revolution confirms Communist China's unique position within the bloc. The Soviet leadership now appears to be committed--probably on Khrushchev's initiative--to greater public recognition of Peiping's domestic innovations and its growing influence in the international Communist movement.

Moscow has acknowledged that Chinese doctrines are valid guides for international Communism. Pravda printed on 30 October, and Moscow broadcast to Southeast Asia, an article by Indonesian Communist leader D. N. Aidit asserting the special claim of China to leadership of the Communist

parties of the East. Basing his argument on a declaration by Lenin that Communists in Asia must accommodate themselves to conditions not found in Europe, Aidit indicated that Chinese Communist experience was the immediate controlling factor for Asian Communists in assessing their own domestic tactics.

Mao, in turn, went out of his way to endorse Khrushchev's domestic policies before the Supreme Soviet. On 18 November he told Chinese students in Moscow that "the socialist camp must have a leader and that leader is the Soviet Union.... The Communist and workers' parties of all countries must also have a leader and the leader is the Soviet Communist party." With Soviet party

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leadership is implied by Soviet state leadership, the Chinese had not previously used this formula of dual Soviet leadership of the bloc--a formula repeated in the People's Daily on 25 November.

In terms of the practical implication of these ideological affirmations, new Sino-Soviet collaboration in the military and scientific fields is expected. Mao apparently quickly reached broad understanding with Khrushchev in Moscow. Mao's top military and scientific specialists have remained in the USSR, apparently to work out the details for closer military and scientific Sino-Soviet ties.

Peiping's two scientific delegations, totaling 85 ranking scientists, came to Moscow with the stated purpose of reaching an agreement on "scientific and technical research and cooperation between China and the Soviet Union." Since their arrival, very little mention has been made of these delegations. The size of the scientific representation and its prolonged stay in Moscow indicate that the agreement to be reached will be lengthy and detailed.

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YUGOSLAV-SOVIET RELATIONS

The results of the recently concluded meetings between the world's top Communist leaders in Moscow appear to have reinforced Yugoslav suspicions regarding the course of Soviet policy since the Zhukov ouster in October. The terms of the 12-nation declaration of 21 November are such as to lead Belgrade to continue its month-old go-slow policy toward the USSR. Yugoslavia does not seem likely, however, to take a more pro-Western tack in its policies at this time.

Yugoslav officials in Belgrade have avoided comment on the proceedings in Moscow, and the press has carried only factual excerpts from the 12-nation declaration. The Yugoslav ambassador in Moscow, however, regards the declaration as "deplorable." He told American Ambassador Thompson on 22 November that while "it had not

been easy," Tito's representatives had not taken part in the 14 to 16 November meeting which formulated the document.

The role which the Yugoslav delegation expected to play in any top-level meetings in conjunction with the Moscow anniversary festivities remains unclear, but Tito's decision not to attend demonstrates that he regarded the proceedings with some reservations. However, Vice President Kardelj, who headed the Yugoslav delegation in place of Tito, thanked the Soviet party and government upon his departure for the opportunity to take part in the "festivities" and went on to forecast continuing friendly relations between the USSR and Yugoslavia.

For the first time since the ebb in Yugoslav-Soviet relations last spring, Belgrade has risked its accord with

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Moscow by challenging the USSR to a public exchange of views on the development of socialism. On 7 November, the Yugoslav Communist party's weekly Komunist restated in positive terms the Yugoslav position on "separate roads to socialism," which contrasts sharply to that expressed by Soviet party boss Khrushchev in his anniversary speech and later by the 12-nation declaration. The Komunist article reflected Belgrade's desire to make its independent position clear in anticipation of any Soviet statement made in conjunction with the Moscow celebration and might now be regarded as the Yugoslav dissent to the bloc declaration.

In contrast to Moscow's emphasis on the basic principles and laws which govern socialist development, Komunist declared that socialist forces are so varied that it is incorrect "to supply universal recipes prescribing how the rule of the working class should be achieved... what should be the forms of authority, which are the compulsory forms of social ownership, and so forth." Komunist maintained that socialism is developing everywhere, not just within certain individual countries, and it is incorrect to measure its progress in terms "of the number of Communist par-

ties." Rather than resume a major polemical exchange, Moscow will probably ignore the Yugoslav exposition and consider the 21 November communiqué a sufficient rejoinder.

Recent diplomatic conversations between Western representatives and Yugoslav officials suggest that for the present Belgrade does not intend to offset its differences with the USSR by seeking closer ties with the West. Instead, the Yugoslavs appear to be entering a period of re-emphasizing their policy of "independence" and support for "peace," as shown by their signature on the peace manifesto signed by 64 Communist parties.

The Yugoslav ambassador in Moscow told his American counterpart on 22 November that his government's position was not an easy one, "since both the East and West appeared to find it difficult to believe in the independence of Yugoslav policy and Belgrade's determination to oppose a policy of the division of the world into blocs." Reflecting this view, Belgrade's Politika in an editorial on 22 November deplored those who "erroneously view Yugoslav actions without regard for its independent, principled policy."

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COLLECTIVE LEADERSHIP ENDS IN CZECHOSLOVAKIA

The selection of Communist party First Secretary Antonin Novotny as President of Czechoslovakia apparently marks the end of collective leadership in the country. Under the administration of President Zapotocky, who died on 13 November, party and state powers were

evenly distributed between Novotny and Premier Siroky, with Zapotocky believed to be serving as arbiter of high-level policy differences in the regime. Novotny, now holding simultaneously two of the three most influential posts in the regime, controls the balance of power.

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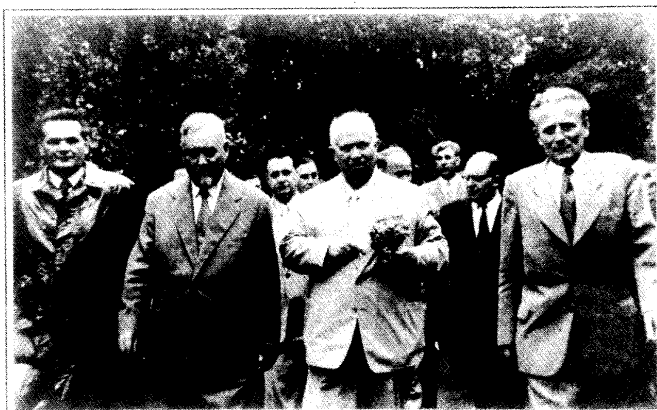
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in both party and government affairs and is in a position to quell all opposition to his orthodox Communist policies.

Novotny, born in 1904, worked as a locksmith as a youth and at 17 was a member of the Communist party of Czechoslovakia in its first year of existence. Novotny may have been a



SIROKY BULGANIN KHRUSHCHEV NOVOTNY

member of the party's central committee in the early 30's. He represented the Prague party organization at the 7th Comintern congress in Moscow in 1935. He worked three years in the Communist underground in Prague, was arrested by the Gestapo in 1941, and spent the balance of World War II in Nazi prisons and concentration camps, returning to Czechoslovakia in 1945.

Immediately after the war, as leader of a clique of veteran, hard-core Communists, Novotny was named secretary of the Prague party, and after 1946 his rise was meteoric. As an adherent of Klement Gottwald, president and party chairman, he survived the widespread purges of 1949-53, which centered about the former secretary general of the Czech party, Rudolf Slansky, and his Zionist and "Titoist" followers.

As upper level party officials were purged, Novotny came to occupy a series of responsible party posts. In 1951 he became the only Czech Communist to hold a seat on both the organizational and political secretariats of the central committee. In March 1953, following the death of Gottwald, Novotny--the only original member of the organizational secretariat to have escaped the purge--was assigned "to direct the work of the central committee," a position equivalent to Gottwald's vacated party post. In September 1953 he was elected first secretary of the central committee, the controlling political position in the country. Like the Soviet party boss, Novotny is a member of the presidium of the national legislative body, and speaks for the regime on both

party and government policy.

Novotny has never deviated from orthodox policies. At the Czech party conference convened in June 1956 to ratify the decisions of the Soviet 20th party congress, he paid lip service to the principles of peaceful coexistence and collective leadership but ignored the Soviet thesis of the possibility of "different roads to socialism." In Czechoslovakia, in contrast with the other satellites, Stalin himself has suffered only mild criticism, and the 150-foot Stalin statue in Prague was illuminated the night of 19 November to celebrate Novotny's election.

As President, Novotny will probably continue to make half-hearted gestures of reconciliation toward Yugoslavia, but relations between the two countries

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will not improve rapidly. The Czechs have not forgotten Tito's ideological criticism of their party in 1948 for compromising too much with "bourgeois elements," or his statement in July 1955 that the Czechoslovak Communists found it difficult "to admit their mistakes before their own people, as the dead cannot be resuscitated." Premier Siroky, first scheduled to visit Yugoslavia in June, has postponed the trip repeatedly, and relations between Prague and Belgrade remain cool.

Novotny was in Moscow with other high-level figures of the Czechoslovak party and government at the time of Zapotocky's death. There is a strong possibility that Khrushchev influenced the choice of his re-

placement, having lavished praise on Novotny during the Soviet delegation's tour of Czechoslovakia in July.

Czechoslovakia will probably continue as a model satellite. Novotny stands for governmental decentralization, emphasis on heavy industry and forced-draft collectivization, and a stern line of "socialist realism" in all fields of art and culture. The office of president carries with it powers of appointment of ministers, ambassadors, and commanders of the armed forces. Thus the role of the Communist party in the national life of Czechoslovakia has been strengthened and a new era of "proletarian dictatorship" by one-man rule is in the offing.

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POLITICAL CONTROL IN SOVIET ARMED FORCES

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Political training in the Soviet armed forces has been intensified in the four weeks since Marshal Zhukov was removed as defense minister. Teams of political officers are reported engaged in indoctrination of the troops, but there is no apparent effort to undermine the military authority of unit commanders, and a purge in the armed forces does not seem to be under way. Attacks in the military press on officers who have neglected political training responsibilities, however, suggest that there may be some replacements.

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The official newspapers of the Soviet army, navy, and air force have recently carried items echoing the central committee's indictment of Marshal Zhukov, and have charged "other commanding officers" with the same shortcomings. The officers are condemned for a lack of party spirit, failure to provide adequate political training in the armed forces, and development

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of "pride, arrogance, boasting, and infatuation." Soviet Aviation cited one colonel by name but no Soviet officer of higher rank has yet been singled out for criticism.

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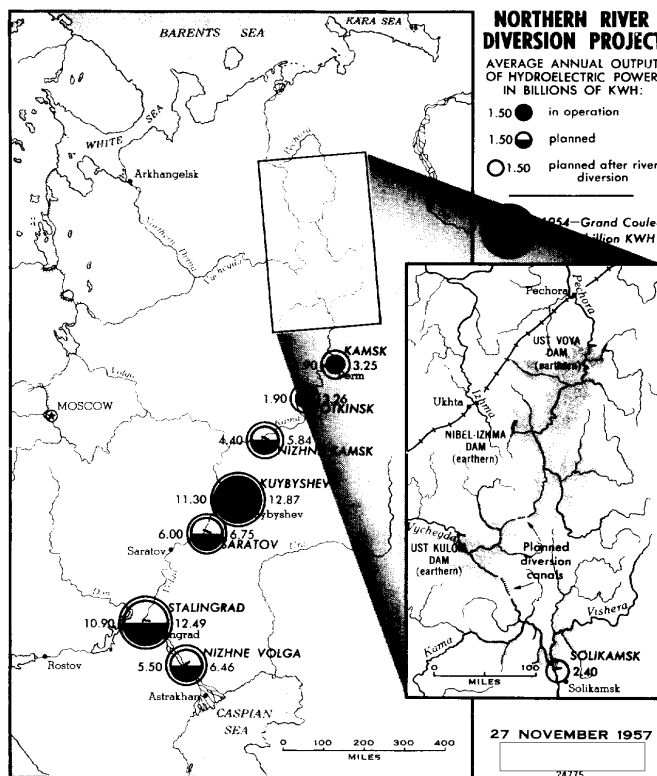
SOVIET RIVER DIVERSION SCHEME

A spectacular project apparently to be begun in the Soviet Seven-Year Plan period (1959-1965) is the diversion of the Pechora and Vychegda Rivers southward into the Kama and Volga Rivers. The project, which would take approximately ten years to complete at an estimated cost of \$1 billion, would raise the level of the Caspian Sea, increase the power output of hydroelectric stations along the Kama and Volga, and provide cheap transportation for coal and timber from the northern areas to the Urals and other industrial areas.

Early this year, the Ministry of Electric Power Stations announced projected increases in the capacities of the Kuybyshev and Nizhne Kamsk hydroelectric stations which would be economically feasible only if the water flow were increased. Detailed articles have since been written describing plans for achieving the diversion scheme, and the National Economic Council at Perm, one of the major areas effected, is said to

to have the project under consideration.

As for the project itself, three earth-filled dams will cut off the flow of water on the upper reaches of the Pechora and Vychegda Rivers, backing up the water into a Kama-Vychegda-Pechora reservoir. This reservoir, in reality three reservoirs joined by canals, is to



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have a total area of about 7,000 square miles.

The water level in the reservoir will be raised to a height sufficient to send the flow down the Kama. A dam to be built on the upper Kama, near Solikamsk, will regulate the flow from the reservoir and will supply a large electric power development. Construction will require an estimated 952,000,000 cubic yards of earth-moving and 5,800,000 cubic yards of concrete work. Although other projects, such as Grand Coulee Dam, have involved more earthwork and concrete, this scheme is of tremendous scope and is unique in its concept and geographical coverage.

The increased flow of water down the Volga would do more than merely halt the drop in the level of the Caspian Sea; it would actually raise it. The level of the Caspian has dropped over eight feet since the 1930's. If the Caspian level is raised, it would stimulate the fishing industry, cut down on dredging expenses in port areas, and decrease costs in water transport of petroleum. The economic problems attendant on the drying up of the Caspian Sea have been of growing concern to So-

viet officials. (See Weekly of 17 January 1957, Part III.)

After completion of the project, production of electric power by stations along the Kama and Volga would increase by as much as 11.4 billion kilowatt-hours a year, approximately the output of the Kuybyshev station, one of the world's largest.

Completion of the project would also permit some 8,500,000 tons of coal from the Pechora Basin and 1,600,000 tons of timber from these northern regions to move by cheap water routes to industrial centers. The inefficient transport available to move the high-grade Pechora coal southward has long been criticized, and this new water route would also be an important adjunct to whatever railroad will be constructed from the Urals to the Pechora Basin.

After this project is completed, plans call for the construction of a dam, reservoir, and power plant on the shrunken Pechora and Vychegda Rivers, thus restoring navigability and developing a power base for this region and eventually providing a continuous water route from the Volga to the Barents and White Seas.
(Prepared by ORR)

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SOVIET BLOC EXPANDS EFFORTS TO INCREASE INFLUENCE IN BRAZIL

The Soviet bloc is trying to exploit Brazil's internal situation by moving to increase diplomatic ties, expand trade, and further cultural contacts. Soviet party chief Khrushchev, in a recent interview with Brazilian journalists, urged increased trade and contacts between the USSR and Brazil, and said he foresees "a new era in Soviet-Brazilian relations."

In early November a high official of the Brazilian For-

eign Ministry expressed grave concern over the simultaneous development of bloc moves to restore diplomatic contacts and Brazilian Communist party efforts to regain legal status. Brazil has been approached by the USSR, Bulgaria, and probably by Rumania concerning renewal of diplomatic ties and expansion of trade.

Although President Kubitschek says he opposes expanding diplomatic relations beyond the

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present ties with Poland and Czechoslovakia, the Foreign Ministry fears that powerful nationalist groups may join the Communist campaign for new ties. A group of federal deputies has already called for an explanation of the government's unwillingness to expand relations with the bloc. The outlawed Communist party is seeking 100,000 signatures for a petition to support such a move.

Brazil's foreign exchange shortage is critical as a result of limited coffee and cocoa sales and of expanding imports. Recent bloc trade offers appear aimed at exploiting Brazil's vulnerabilities, and a high Brazilian official has stated that Brazil "may not be able to avoid" responding to them. President Kubitschek recently announced that an official trade mission soon to be sent on a world tour will visit a number of satellite countries and possibly the USSR.

Bloc interest in Brazil's five-year development program is evidenced by offers of Rumanian and Hungarian economic

delegations now in Rio de Janeiro to exchange heavy equipment for coffee and cocoa. Poland has offered substantial credit for equipment for an inland steel mill, a railroad, and a seaport, and, [redacted]

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[redacted] has volunteered its good offices to solicit additional aid from the USSR.

The Soviet commercial attaché in Montevideo, whose imminent arrival in Rio is reported by the Brazilian Foreign Ministry, may extend a Soviet offer for development of industrial and port facilities in the Sao Francisco Valley.

Latin America--regarded by Moscow as a colonial or semi-colonial area--has to date occupied a relatively low priority in Soviet bloc foreign policy objectives. The expanded bloc campaign in Brazil appears, however, not to be limited to attempts to embarrass the United States, but suggests that Moscow now sees an opportunity to increase its influence substantially. [redacted] (Concurred in by ORR)

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RHODESIAN ECONOMY SUFFERS FROM LOW COPPER PRICE

Officials of the Federation of Rhodesia and Nyasaland are deeply disturbed over the rapid deterioration in the federation's balance-of-payments position--the result of a fall in copper prices from \$1,220 a ton in 1956 to a record low of \$599 in June 1957. This situation will result in a substantial cut in capital development expenditures and may have serious political consequences.

Rhodesia's copper exports, which normally account for about 60 percent of total exports, are

expected to decline during 1957 by more than \$76,000,000 compared with the 1956 value--a loss of about 24 percent. The rising cost of imports in 1957--estimated to be \$42,000,000 higher than in 1956--is causing the government to consider additional import restrictions.

The resulting deficit of perhaps \$168,000,000 from trade and services must be offset by a larger capital inflow if the present high rate of Rhodesian economic expansion--9 percent per year--is to be continued.

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RHODESIA AND NYASALAND

The lower price of copper may have serious effects on the federation's social and political outlook. The depressed prices and the end of large bonus payments to the well-paid European miners in Northern Rhodesia will probably lead to a general feeling of economic insecurity in the copper belt. In the past, the Europeans have resisted all attempts to break down the restrictions against African skilled labor, and now they will have even greater fear of competition from cheaper African labor. Such an increase of racial tension in a vital area of the federation could have serious repercussions in the 1958 general

Since 1951, Rhodesia has modernized its transportation and communications system at considerable cost, and embarked on a \$250,000,000 hydroelectric power project on the Zambesi River at Kariba. When completed, the Kariba project will provide enough electricity to assure the copper industry of Northern Rhodesia sufficient operating power, as well as permit the electrification of the Rhodesian railways and the industrialization of Southern Rhodesia.

election.

The governing party and its policy of racial "partnership" is already being attacked by a segregationist-minded party. A loss of popular support in the copper belt, together with widespread concern over a slowdown in economic development such as may arise from the announced reduction of \$8,000,000 in the 1957-58 development budget, could endanger the political control of the moderates.

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PART III**PATTERNS AND PERSPECTIVES****WESTERN EUROPEAN UNION AND NATO**

The willingness of some members of the Western European Union (WEU) to use WEU institutions to strengthen the Western defense alliance raises some important questions concerning the future of this seven-nation organization which may be considered at the mid-December NATO meeting. Some suggestions for the role of WEU envisage it as a second-best alternative in the event the United States is not sufficiently "cooperative" within the NATO framework; others foresee a greater contribution to NATO from WEU, particularly in the related fields of armaments production and control.

These suggestions again pose the possibility of WEU's emergence as a permanent "inner circle" competing with NATO. They also suggest that the WEU nations might be prepared to increase their own joint effort in order to reduce their dependence on the United States and redress an imbalance which has given the United States not only the predominant voice in NATO but also the preponderant burden.

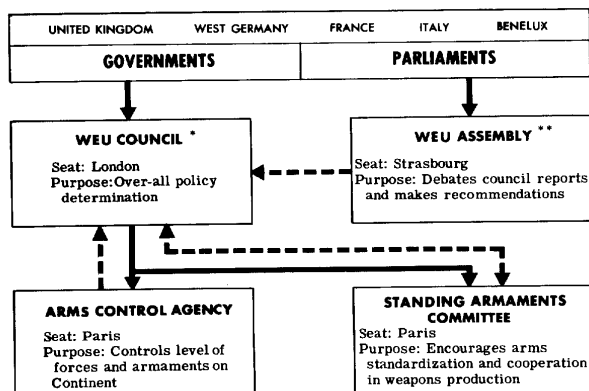
The Development of WEU

From the time of WEU's formation in 1954, there have been two conflicting views about the union. The "negative" view holds that, having accomplished its initial objective of providing the necessary controls to bring West Germany into NATO, WEU should become dormant. The "positive" view holds that, within the framework of NATO, the WEU should try to

achieve the broad objectives set forth in the WEU treaty.

Until mid-1956, the negative view predominated, but events since then have tended to reverse that trend. West German Chancellor Adenauer's decision to take up with the WEU Council rumors of an imminent reduction in Anglo-American forces on the Continent was the first vigorous assertion of the idea that the WEU powers have a special status within the Atlantic alliance, that WEU's machinery is appropriate for the mobilization of a seven-nation point of view on defense matters, and that there are no real limits on WEU in discussing Western defense policies in the broadest terms.

This positive view was supported by those who saw WEU as the direct heir of the European Defense Community concept. They stressed WEU's specific links with NATO, its powers over the

WESTERN EUROPEAN UNION: INSTITUTIONS

— Named by or responsible to.

- - - Makes recommendations to.

* Seven national government ministers or their deputies.

** Approximately 90 representatives from membership of the Consultative Assembly of the Council of Europe.

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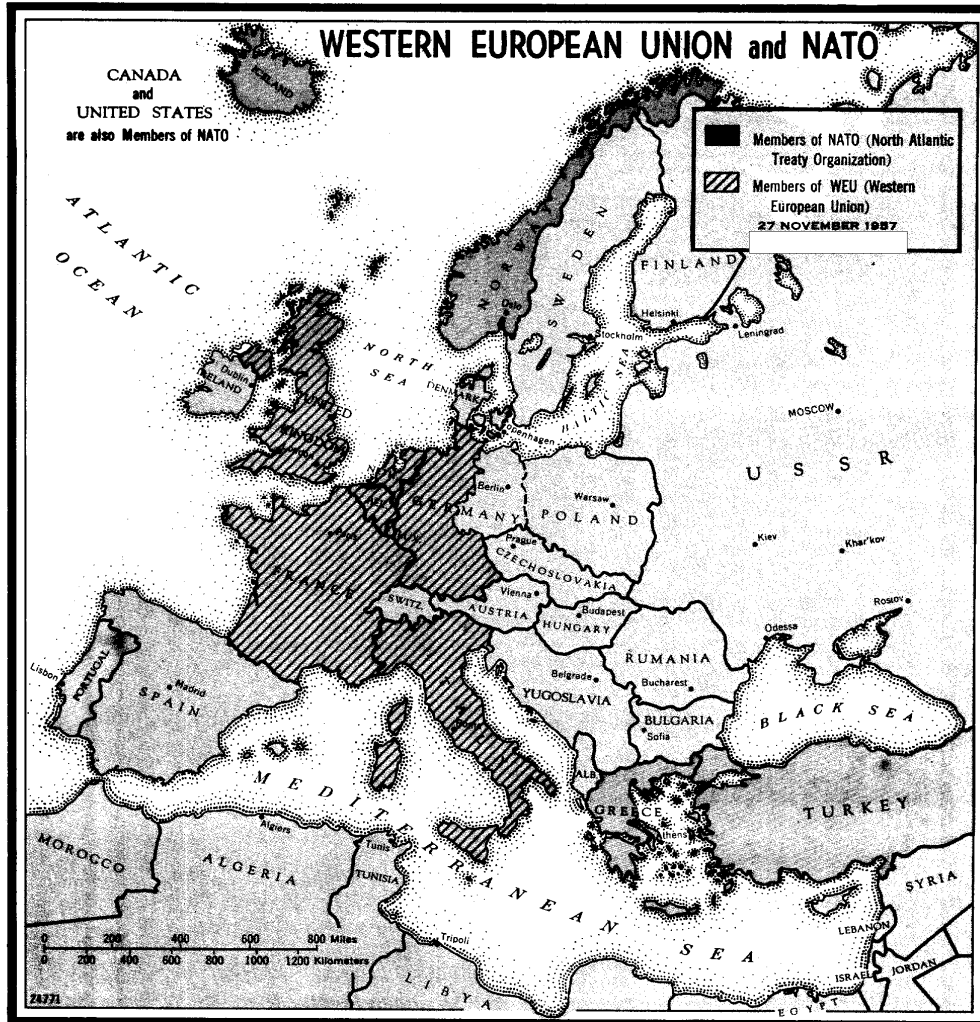
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level of forces and armaments on the Continent, and its vague measures for cooperation in the production of arms. This new concept of WEU's jurisdiction was reinforced early in 1957 when London requested WEU's authorization to withdraw 27,000 British ground troops from Germany. Britain, under the treaty, is committed to abide by the majority rule of the WEU Council regarding the maintenance of its forces there.

The violence of the Continental reaction to the British proposal not only persuaded

London to delay a full withdrawal, but also sparked a special NATO review of the overall resources of the alliance and its defense aims--a review which is still in process. Even this action, however, failed to satisfy the WEU Assembly which, in its May session, came close to passing a vote of censure against the WEU Council for having relinquished its responsibilities to NATO.

"Responsibilities" of WEU

WEU's supporters have contended that, since NATO lacks

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a formal parliament, the WEU Assembly is the only parliamentary group which can effectively debate military questions. They also point out that WEU's clause providing for automatic mutual assistance in the event of aggression is a tighter commitment than NATO's.

It is, however, through its Arms Control Agency and its Standing Armaments Committee--which operates in the field of production--that WEU has a better claim to special responsibilities. WEU has four specific control functions: to ensure that force goals established by NATO are not exceeded by WEU members; to prescribe the strength and armament of Continental internal defense and police forces not committed to NATO; to enforce West Germany's unilateral commitment not to produce certain weapons; and, by test checks and inspections of production and imports, to control the level of stocks of atomic, bacteriological, chemical, and certain other weapons.

During the first "control year"--1956--the Arms Control Agency exercised its functions on an experimental basis only. These operations represent the West's only recent experience in the kind of armaments inspection which an international disarmament agreement would involve and, in view of the limitation of EURATOM's security controls to the peaceful uses of atomic energy, provide the only means for policing the production of nuclear weapons by Continental WEU members.

Development and Production

The Standing Armaments Committee has likewise been slow in carrying out its general mandate to ensure the "best possible use of available armament credits by means of rational organization of production." Largely in response

to a British initiative, however, there has been a tendency since early this year to make increased use of WEU's machinery for the avowed purpose of solving Europe's conventional weapons replacement problem and making Europe less dependent on the United States for advanced weapons.

Under WEU's aegis, Britain, France, and West Germany have concluded a series of bilateral agreements envisaging a pooling of resources in the fields of pure research, completed weapons, and advanced weapons development. Moreover, several bilateral steering committees have been formed: on the French-German side, in the broad general fields of army, navy, air force, electronics, and economics; on the Anglo-German side, in the more specific fields of air defense, guided missiles, naval projects, and army weapons. 25X1

Conclusions

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WEU's future course will depend on the further development of NATO. As long as there is no solution to the problem of the impact of modern weapons on budgets and strategy and as long as there are basic divergencies such as those provoked by the Suez crisis, there will be a tendency for "European" opinion to coalesce in some "European" forum--such as WEU.

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In the field of weapons research and development, NATO sponsorship of such a program would render superfluous WEU's Standing Armaments Committee and make it theoretically possible for all NATO members to participate. The WEU members, however, are the NATO countries most likely to make a contribution to research and development, and in addition full participation would probably lead to a request for American

financial assistance. The WEU committee has thus far operated without such aid.

Controls over arms production may be relaxed as a result of the forthcoming NATO meeting in Paris. Should West Germany be permitted, however, to produce advanced weapons or France emerge as a "fourth nuclear power," other countries might then demand strengthening of WEU's control system. [REDACTED]

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CHINESE COMMUNIST PROGRAM FOR HIGHER EDUCATION SUFFERS REVERSES

The Peiping regime has had fair success in its efforts to train a new generation of "intellectuals" capable of handling the technical work involved in modernizing the Chinese economy. Since "liberation" in 1949, its colleges have turned out about 369,000 graduates, which Peiping boasts is more than the total graduated in the previous 50 years. There is a continuing shortage of college-trained personnel, however, and recent developments have aggravated the problem of winning and holding the loyalty of the intelligentia.

Recent speeches by two high-ranking Chinese Communist spokesmen highlight the regime's growing dissatisfaction with the progress of higher education in Communist China--in particular with the failure to produce a politically reliable educated class. The secretary general of the party stressed on 18 September that the formation of a new "socialist intelligentia" was one of the regime's most vital tasks. Liu Shao-chi, second-ranking official in Com-

munist China's hierarchy, declared on 6 November that the working class must develop its own corps of scientific and technical personnel--"a vast force of intellectuals who are both Red and expert."

Early Years

Immediately after "liberation," the Chinese Communists concentrated on mass education and the training of primary-level technicians who would be of immediate usefulness. By the middle of 1955, however, Peiping had concluded that its developing needs could not be met by these mass techniques, and it launched an intensive campaign to raise educational standards. Most short-term study programs were abolished, and the course for higher technical schools was extended from four to five years. Of 50,000 college graduates in 1955, over 7,000 were assigned jobs as university instructors, and plans were made for construction of 60 new colleges in the next two years.

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Educational Speed-up

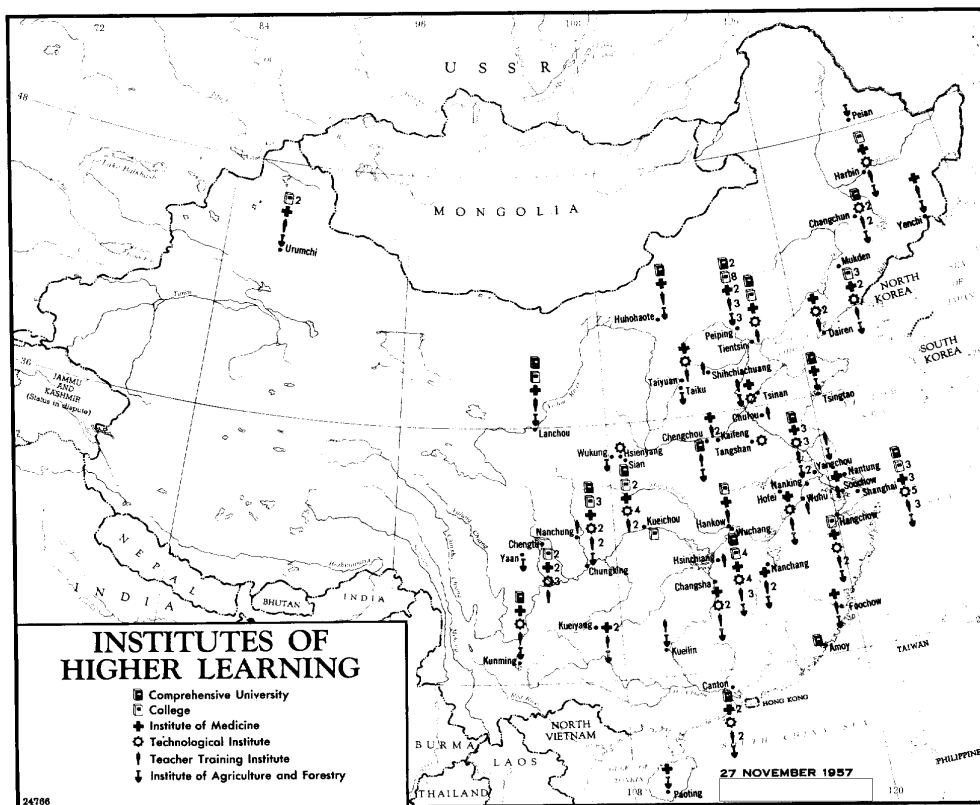
In a special report to the central committee of the party on 14 January 1956, Chou En-lai cited a need for more scientific personnel and called for a sharp increase in enrollment for institutes of higher learning. Two weeks later, Peiping announced a 12-year education program which included plans for construction of 300 new colleges and a goal of producing a million "highly trained intellectuals" by 1967.

The following April, the regime announced that 170,000 students would enroll in colleges in the 1956-57 school year--a sharp increase over the 1955 enrollment of approximately 96,000 freshmen. Because of an insufficiency of middle-school graduates, the regime drafted

more than 94,000 cadres and workers from their jobs to meet the quota. In the end, 180,000 new students--nearly twice the 1955 figure--started college work in September 1956. The college enrollment target of the Second Five-Year Plan was 850,000 students by 1962.

"Liberalization" in Colleges

Peiping moved at the same time to relax pressures on students to participate in extra-curricular activities in colleges and universities. Forced participation in "voluntary labor" and physical culture was abolished and emphasis taken off party work. Students were permitted to carry a lighter work load and given a choice of elective courses under the slogan "educate according to talents." These moves, which



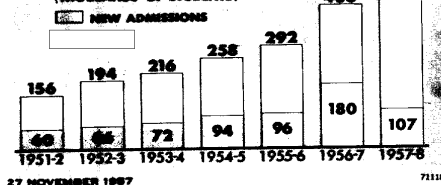
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were in line with the then current "liberalization" campaign,

**COMMUNIST CHINA:
TOTAL COLLEGE ENROLLMENT**
(THOUSANDS OF STUDENTS)


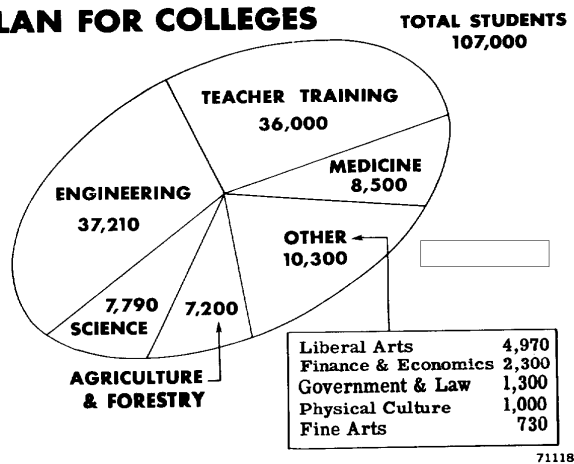
reflected concern expressed earlier by the minister of higher education over the number of students who failed courses, became ill, or complained that they had no time to digest their studies.

As the school year progressed, it became evident that the combination of a relaxed atmosphere and the pressures of overcrowding in the country's 221 institutes of higher learning had led to uninhibited expressions of dissatisfaction, and lowered student morale began to be reflected in unruly behavior.

As early as 28 October, People's Daily, in an editorial on student laziness and lack of discipline, called for more political and ideological education. Press treatment of this theme was more frequent after the Polish disorders and the Hungarian rebellion--in which students played an important role.

Retrenchment

By the spring of 1957 the regime had decided that the expanded education program was overly ambitious, and retrenchment began. On 15 March the vice minister of higher education acknowledged that the rapid development of higher education had gone beyond the existing capacity of both teaching staffs and equipment. He announced that enrollment of new college students for the 1957-58 school year would be cut back to 107,000. Middle-school graduates were told that "for a long time" most of them could not hope for further education and were urged to take up work on farms or in factories.

**COMMUNIST CHINA:
1957 RECRUITMENT
PLAN FOR COLLEGES**
**Political Crackdown**

The policy of reducing the "political" content of the curriculum which accompanied the

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program for larger enrollment was also reversed, following student participation in stormy criticism of the Communist party during May and June. Spurred on by instructors who demanded that control of the universities be taken away from "ignorant" Communist cadres and political committees and returned to the professional staff, students called for Western-style academic freedom and an open choice of work after graduation. The regime responded by making the academic community one of the principal targets in the campaign against "rightists."

Rigorous political indoctrination was reinstituted in all schools. Students in Peiping University are now required to have eight hours of "thought reform" every week, and graduates must survive a searching political investigation before they can take jobs. Those who fail to "pass" are placed on probation for periods of up to three years and assigned menial tasks while undergoing "ideological correction."

Tighter Controls Imposed

The regime's determination to tighten controls over educa-

tion further is indicated by the decision announced on 28 October to send a thousand high-level cadres, including two vice ministers, to key positions in colleges and universities. Peiping's latest move in the campaign was announced by People's Daily on 10 November in an article describing the transfer of thousands of students and teachers to rural areas for a period of work on cooperative farms, where they are expected to develop a "working-class stand."

It probably will be a number of years before Peiping can recoup the losses it has sustained in the field of higher education during the past 12 months. Deficiencies in the educational plant responsible for failure of the increased enrollment program can be corrected in a comparatively short time. It will take longer, however, to restore esprit among students and teachers. The usefulness of older, Western-trained scholars, who have been more valuable to the regime than the Communists admit, will be permanently impaired.

(Concurred in by
ORR)

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EXPANDING ACTIVITIES OF THE SINO-SOVIET BLOC IN CEYLON

Sino-Soviet bloc activities in Ceylon have steadily increased since April 1956, when Ceylonese Prime Minister Bandaranaike's coalition government took office. The bloc's effort to develop its ties with the island has been facilitated by Bandaranaike's policy of expanding the country's political and economic relations with all countries.

Diplomatic, Cultural Relations

Ceylon exchanged ambassadors with the USSR and Communist China in May and June 1957 respectively, and subsequently agreed to establish diplomatic relations with Poland, Czechoslovakia, Rumania, and Yugoslavia. In addition, there has been an increase in exchanges of visits by labor

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leaders, teachers, trade and youth delegations, and government officials. An estimated 600 Ceylonese visited Communist China, the USSR, and the satellites between January and September 1957.

The Ceylon-Soviet Friendship League, formed in 1956, has campaigned for regular Moscow radio broadcasts to Ceylon and for Soviet film festivals and entertainment programs. The Ceylon Peace Council, although it has been less conspicuous, publicized the Communist-front World Peace Council meeting in Ceylon in June 1957. A Ceylon-China Friendship Association has existed since 1952.

The circulation of Communist publications and the publication of Sino-Soviet bloc propaganda releases in the Ceylonese press have increased since Bandaranaike abolished the former government's ban on the importation of Communist literature; TASS began sending items to the Ceylonese press in July 1957.

Economic Activities

In August 1956, Ceylon and Czechoslovakia signed their first economic cooperation agreement, providing long-term, low-interest credit to Ceylon for purchases of capital equipment. In late December, the Czechs opened the first permanent Communist bloc trade mission in Colombo. Since then Czechoslovakia has agreed to supply \$65,000 worth of equipment to aid Ceylon's nationalization of bus transportation, and to build a \$3,360,000 sugar factory which will help the island cut sugar imports and conserve foreign exchange. The Czechs are also considering the construction of a fertilizer plant and hydroelectric plants.

In September 1957, Ceylon and Communist China signed a

second five-year rice-rubber contract which supplies Ceylon with a much-needed food source and a rubber market, although the terms are less favorable for Ceylon than under the first contract. The Chinese have partially offset the less favorable terms by extending Ceylon \$15,750,000 in economic aid over the next five years.

The USSR has no formal aid program in Ceylon but has invited Colombo to prepare a list of development projects for which foreign assistance is desired. Moscow in July 1957 expressed its willingness to aid in the rehabilitation of Ceylon's rubber plantations. In late October, the USSR, having offered to buy up to 10 percent of Ceylon's tea, entered the Ceylonese tea market for the first time in 21 years. This was probably a preliminary step toward increased government-to-government trade.

In early November, the Ceylonese minister of industries asked for a team of Soviet experts to make an oil exploration survey, suggesting that present negotiations with a British-American firm for the establishment of an oil refinery on the island might be abandoned if the Soviet experts strike oil. A Soviet mission is reportedly expected soon in Colombo to discuss economic and industrial cooperation between the two countries.

The present Ceylonese government has also relaxed bunkering controls applied by its predecessor to bloc vessels.

Ceylonese Reactions

Ceylon has been fairly receptive to Communist overtures and has demonstrated little fear of the Communist infiltration that might result from increased contacts. Ceylonese visitors to the Soviet Union and Communist China have generally been impressed by what

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they have seen, and Chinese Premier Chou En-lai made an excellent impression when he visited Ceylon in January 1957.

The island's economic problems, such as its perennial food shortage--now accentuated by drought--its rapidly rising population, the flight of foreign capital, and the desire to industrialize, have made it

willing to accept virtually any proffered foreign assistance.

Ceylon continues to value its friendship with the West, particularly its Commonwealth ties, but Colombo is not likely under the Bandaranaike government to favor the free world over the bloc. Bloc activities on the island can be expected to grow with little government restriction.

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THE ARGENTINE PROVISIONAL GOVERNMENT'S DILEMMA

President Aramburu and the majority of the Argentine military consider it essential to hold general elections on 23 February and to transfer power to elected civilian authorities on 1 May as scheduled, but they also believe Argentina's serious economic situation requires the prompt adoption of several measures rejected by the two political parties most likely to win the elections. The most controversial issue concerns foreign private investment in petroleum, which the regime believes necessary to help improve the country's payments position and to speed economic recovery. Unquestionably most Argentines want a return to constitutional government in accordance with Aramburu's political calendar, and any deviation from this program would cost the regime the considerable popular support it now enjoys.

Political Attitudes

In its two years of power, the Aramburu regime has made a strong effort to ensure a smooth transition to a democratically elected constitutional government. Over the past year it has attempted to avoid policies which might clash with those of a successor government--particu-

larly on the major controversial economic issues. Personal ambitions have played little part in the provisional government's measures, since all officials serving in the cabinet, in the armed forces, or as provincial governors have been declared ineligible to stand for public office.

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The majority of the military apparently also supports Aramburu's plan for the transfer of power, despite certain misgivings occasioned particularly by the economic situation. Some are reported tired of having to deal with the complex problems of government and feel they have failed to take adequate steps to deal with economic problems. They care a great deal about the appearance of "acting properly" and believe an elected civilian government should at least be given the chance to take corrective economic measures.

The overriding popular concern with a return to an elected civilian government--whether or not pressing problems are resolved--was reflected in comments among all groups immediately following the July election of a constituent assembly to revise the constitution.

ARGENTINA
URGENT HARD-CURRENCY
NEEDS FOR BASIC INDUSTRY

(MILLIONS OF DOLLARS)

WATER AND ELECTRIC POWER	500
PETROLEUM DEVELOPMENT	280
TRANSPORTATION	300
STATE GAS	10
STEEL	150
HIGHWAYS AND ROADS	40
COMMUNICATIONS	32
TOTAL	1,312

Argentine official estimate.
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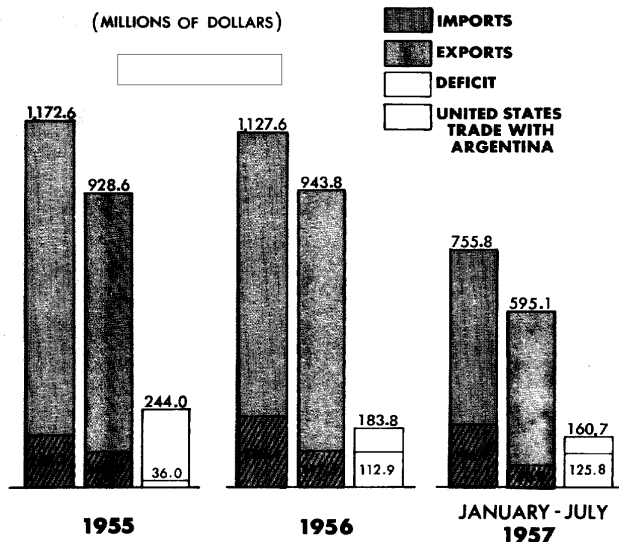
It soon became evident, however, that many political party leaders were less interested in constitutional revision as such in staking out positions for the presidential elections next February. Moreover, both the pro-government People's Radical Civic Union and the Intransigent Radical Civic Union, which respectively won about one fifth and one fourth of the total vote in the July elections, support similar platforms, calling for the nationalization of power resources, contrary to the regime's recommendations.

Argentina's
Economic Plight

The government's emphasis on the need for foreign investment reflects the grave deterioration in Argentina's gold and dollar position as well as the need for general economic development. Gold sales of some

ARGENTINA: TOTAL TRADE

(MILLIONS OF DOLLARS)



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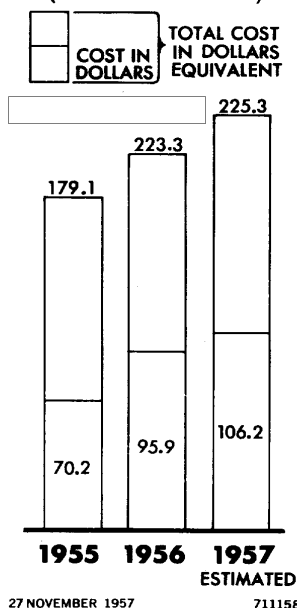
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\$55,000,000 during September and October reduced the gold reserves to \$126,000,000, and official dollar balances had declined to about \$38,000,000

**ARGENTINA
COST OF POL IMPORTS**
(MILLIONS OF DOLLARS)



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as of 1 November. Because of new credits, including \$75,000,000 from the International Monetary Fund last April, Argentina now anticipates that its balance-of-payments deficit for 1957 will be reduced to about \$75,000,000. Its trade deficit with the dollar area, however, is continuing to rise, amounting to \$125,820,000 for the first seven months of 1957 as compared with only \$112,939,000 for all of 1956.

Fuel, especially petroleum, is a constantly expanding import cost and drain on dollar exchange.

In 1956, petroleum accounted for almost a fifth of total imports. Small gains in petroleum production, which reached 31,717,305 barrels in 1956, have been more than offset by increased consumption, and local production now provides only about 39 percent of domestic needs, as compared with about 65 percent in 1943. Some 1,497,000 long tons of coal, 85 percent from the United States, had to be imported during 1956. In 1957, nondollar coal was sought, and under an agreement signed on 18 October, Poland will again become a major supplier of coal to Argentina.

The regime feels that to encourage expanded foreign investment in oil would improve the climate for other essential investment and credits. In a series of meetings of cabinet and military officials called by President Aramburu in late August, the minister of commerce and industry estimated the cost of Argentina's immediate needs for transportation and basic industries at some 13 billion in dollars and about \$750,000,000 in additional peso expenditures.

The minister commented that these and additional funds for agricultural and industrial

ARGENTINA: LIVING COSTS AND WAGES
1956-1957

		LIVING COSTS	TOTAL WAGE PAYMENTS	REAL * WAGES
1955	July-Sept.(index)	100.0	100.0	100.0
	January	105.5	105.4	100.0
1956	April-June	110.0	114.5	104.1
	July-September	112.9	115.8	102.6
	October-November	116.0	117.7	101.4
	January	123.2	150.1	121.8
	February	125.4	152.9	121.9
	March	128.1	154.7	120.8
	April	130.6	163.1	124.9
	May	133.4	-	-
1957	June	135.9	-	-
	July	139.6	-	-
	August	143.0	-	-
	September	146.6	-	-
	October	150.3	2.5% INCREASE	-
	November	154.1	(EST)	-
	December	158.0	142.0(est)	90.0

* Wage payments divided by living costs times 100.

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rehabilitation would have to come from foreign credits and investments. He emphasized that increased production was essential to stem inflation and growing labor concern over rising living costs, which have offset the last general wage raise in February 1956.

Immediate Outlook

The constituent assembly ended on 14 November without passing projected constitutional amendments nationalizing petroleum and other "natural" sources of energy. Action on the controversial economic amendments was stalled for lack of a quorum when the center bloc representatives withdrew on 25 October, following earlier withdrawals by other groups for various reasons. The assembly's important accomplishment was voting reinstatement of the constitution of 1853 with its amendments of 1860, 1866, and 1890,

thus deleting the Peronista-sponsored reforms of 1949.

Aramburu's decree of 15 November calling for general elections on 23 February and transfer of power on 1 May further lessens the chances that right-wing military elements would attempt a coup to postpone elections. As previously promised, the decree also provided for the continued use of the Saenz Pena electoral system, under which two thirds of the seats in the Chamber of Deputies go to the leading party and the other third to the runner-up. This system could result in the chamber being dominated by Radicals, who oppose the government's economic policy, although the unpredictable division of the former Peronista vote, which may comprise about a quarter of the total, could alter this.

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